

September 25, 2007

Government Competition & Privatization Committee  
Utah Legislature  
Salt Lake City, Utah

Re: Municipal Broadband

Dear Committee Members:

I am CEO of Baja Broadband – an independent cable company that operates in several states, including Washington County, Utah. Baja is proud to be in Utah and is pleased with its decision to pour tens of millions of dollars into telecommunications infrastructure in Utah's Dixie. It was my pleasure to meet several of you this past general session. During that session, you were addressing the issue of cable providers attempting to avoid high-cost/low-return areas by forbidding cities from requiring universal service. I see that the issue again raised its head in your meeting of September 6, 2007.

In that meeting, Sen. Stephenson asked Utopia general counsel, David Shaw, whether UTOPIA has abandoned its initial purpose for existing (universal service) and whether UTOPIA now intends to cherry-pick easier-to-serve, higher-profit areas and ignore tougher-to-serve, lower-profit areas. Despite several minutes of questioning, the committee never received a straight answer. Let me give that answer to you: yes.

UTOPIA clearly has adopted the business model of several new cable/telecom entrants – chasing select areas and ignoring the others. And, even in those select areas, UTOPIA seeks contractual provisions that limit competition (e.g., HOA fees dedicated only to UTOPIA providers). Thus, instead of the cable, dish, and cable antenna providers that currently compete for business in the free market in Washington County and elsewhere in the State, UTOPIA seeks to carve out areas where only it will provide services (since homeowners already will have paid for its services through the mandatory HOA fees and would not be likely to pay twice to utilize a different provider).

Some players in the private sector do provide uniform and equal services to ALL citizens. And I would add that Baja does so happily. However, as Sen. Stephenson astutely remarked, to be able to provide uniform services for all, some areas will subsidize other areas. That is why I argue that cities should be able to determine whether they do or do not believe build-out requirements are in their best interests.

The question you currently address is whether a government-backed entity should be allowed to cherry pick. Mr. Shaw opined that UTOPIA should be allowed to cherry pick, because UTOPIA provides "tomorrow's infrastructure." By that, I guess he means that everyone in the private sector is less capable or willing to deliver quality services. He is incorrect.

In the Washington County areas that UTOPIA wants to cherry pick, would UTOPIA provide more or better video than Baja? No. Would it provide more or better

phone service? No. Would it provide more or better Internet? No. The difference is that I went to Wall Street and convinced savvy telecom investors that I have a good plan and that I have the experience to get the job done. Wall Street understands telecom, and knows where to probe and how to cut through fluffy claims. UTOPIA took a different route. Failing to convince Wall Street, it was forced to convince politicians.

And let me be clear on the issue of fiber to the home (FTTH). UTOPIA provides nothing unique. If developers want fiber to the home in greenfields, Baja will build that. My private sector business will bid for that work, as will the government-backed UTOPIA. The difference is that – despite UTOPIA’s grandiose proclamations of universal service when it sprang into existence – I will, then, shoulder the responsibility of actually providing that service to the remainder of the town – without holding out my hand to government for a subsidy.

Also, UTOPIA likes to say that the private sector only offers good rates and good services, because UTOPIA exists. Thus, even though it is underperforming on promises, UTOPIA argues it still has accomplished societal good that justifies its government backing. This is delusional.

Baja has owned the Washington County cable system for a year. We’ve doubled our Internet speeds, without raising the cost for that service. We’ve added high-definition video and digital video recorders. We’ll offer telephony by the end of the year. All this, with 100% private funding and no governmental props. And that is just the start.

Baja exists in a competitive market arena. Existing competition requires that we provide what consumers want at a price they can afford. And, while we’re sorry to disappoint UTOPIA, all this has nothing to do with UTOPIA. It has everything to do with customers – which are the lifeblood of businesses operating in the private sector.

Is it fair for a government-backed business to compete with the private sector in providing the same service? No. And just remember – investors recognize that fact.

Sincerely,

William A. Schuler